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November 2, 2007

The Honorable Chairman and Members of  
the Hawaii Public Utilities Commission  
Kekuanaoa Building  
465 South King Street, First Floor  
Honolulu, Hawaii 96813

FILED  
2007 NOV -2 P 4:09  
PUBLIC UTILITIES  
COMMISSION

Dear Commissioners:

Subject: Docket No. 2006-0387  
MECO 2007 Test Year Rate Case  
MECO's Information Requests to the Consumer Advocate

In accordance with the Stipulated Schedule of Proceedings, as amended by the Commission on June 19, 2007, in Order No. 23496, and further modified in the Commission's August 24, 2007 letter to the Division of Consumer Advocacy ("Consumer Advocate"), enclosed are Maui Electric Company, Limited's ("MECO") information requests to the Consumer Advocate.

Very truly yours,

Dean K. Matsuura  
Manager, Regulatory Affairs

Enclosures

cc: Division of Consumer Advocacy  
Sawvel & Associates, Inc.  
Utilitech, Inc.  
David Parcell, Technical Associates, Inc.

Docket No. 2006-0387

Maui Electric Company, Limited  
Information Requests to  
Division of Consumer Advocacy ("CA")

MECO/CA-IR-301

Ref: CA-T-3, page 63-64 (Accumulated Deferred Income Taxes  
related to AFUDC in CWIP)

Under the consistent solution to the deferred taxes associated with AFUDC, "...the Consumer Advocate accepts the MECO revisions needed to restore the AFUDC and tax capitalized interest ("TCI") deferred tax balances that were still being eliminated in the MECO June 2007 update filing." (see CA-T-3, page 64, lines 4-6). The Regulatory Asset for AFUDC Equity Gross Up is set up to compensate for the deferred taxes on AFUDC Equity the Company is required to provide as a result of the adoption of FAS 109.

Please confirm that this consistency would dictate that the entire balance of Regulatory Asset for AFUDC Equity Gross Up, net of the related deferred income taxes, should be included in rate base or explain why this is not the case.

Note that in the last HECO rate case, Docket No. 2006-0386, the Consumer Advocate agreed to this inclusion of the referenced Regulatory Asset, including that portion related to AFUDC in CWIP.

Docket No. 2006-0387

Maui Electric Company, Limited  
Information Requests to  
Division of Consumer Advocacy ("CA")

MECO/CA-IR-401

Ref: CA T-4, p. 11, lines 7-11

Please provide all source data used to determine that the business cycles since 1975 occurred in the manner specified on lines 7-11 on page 11 of the direct testimony.

MECO/CA-IR-402

Ref: CA T-4, p. 25-26

- a. Please provide the data by company by year used to calculate the common equity ratios shown on lines 20 to 25 of page 25.
- b. Please provide the data by company by year used to calculate the common equity ratios shown on lines 13 to 18 of page 26.

MECO/CA-IR-403

Ref: CA T-4, p. 34

Please provide the financial literature that supports the statement that the DCF formula shown on line 15 of page 34 of the direct testimony is a quarterly compounding variant.

MECO/CA-IR-404

Ref: CA T-4, p. 1

Please provide your return on equity recommendation and the return on equity authorized for each electric/gas case in which you have testified in the last five years along with a copy of such testimonies. Please also provide the prevailing yield on long-term Treasury bonds at the time of preparing these testimonies.

MECO/CA-IR-405

Ref: CA T-4, p. 30-32

Please provide the currently authorized return on equity for each of the electric utilities in your two samples of comparable companies.

MECO/CA-IR-406

Ref: CA T-4, p. 35- 36

- a. On page 35, line 17 to page 36, line 9, explain the pros and cons of using each of the data series of Earnings Per Share ("EPS"), Dividends Per Share ("DPS"), and Book Value Per Share ("BVPS") individually for calculating the growth in dividend figure to be used in the Discounted Cash Flow ("DCF") model.
- b. Explain how taking the collective average of the individual EPS, DPS, and BVPS series mean and median values provides a meaningful estimate of dividend growth as used in the DCF model.

MECO/CA-IR-407

Ref: CA-405

Please restate the common equity ratios cited on Exhibit CA-405 excluding short-term debt.

MECO/CA-IR-408

Ref: CA-406

To Mr. Parcell's knowledge, do the capital structures for the companies in his two groups of comparables shown on CA-406 reflect "per books" capital structure or the latest capital structure approved by the state regulatory commission?

MECO/CA-IR-409

Ref: CA T-4, p. 31-32

Which of the companies in Mr. Parcell's sample groups have rates set using future test years and which of those companies have rates set using historical test years?

MECO/CA-IR-410

Ref: CA-406

- a. Please provide complete copies of the information regarding the amount of purchased power utilized by the companies in Mr. Parcell's two sample groups that he used to assess the relative risk of MECO's power supply portfolio.

- b. Has Mr. Parcell made any assessment of the degree to which the Company's purchased power debt equivalents increases the Company's financial risk? If so, what are his findings? If not, why not?

MECO/CA-IR-411

Ref: CA-408 and 411

Please provide the relevant portions of the S&P Handbook data source document cited in Mr. Parcell's Schedules CA-408 and CA-411.

MECO/CA-IR-412

Ref: CA-414

The CA reflects a 10.00% cost rate for the purchased power debt equivalent. Please provide the source document for this 10.00% rate assumption.